

C. J. [Signature]
12/16/97

December 16, 1997

Cynthia L. Johnson, Director, Cash Management Policy
and Planning Division
Financial Management Service
U. S. Department of the Treasury
Room 420, 401 14th Street, SW
Washington, DC 20227

Re: 31 CFR Part 208, Management of Federal Agency Disbursements;
Proposed Rule

Dear Ms. Johnson:

This comment letter is submitted on behalf of the National Association of State Credit Union Supervisors (NASCUS), which is the professional association of state supervisory departments/agencies which regulate the nation's 5,000 state chartered credit unions.

The majority of our members are state credit union agencies (38) which are organized as co-equal units of a department which supervises credit unions and other depository institutions, such as banks and savings and loan associations. Five of our member agencies operate as independent, self-governing units which exclusively supervise credit unions and the remaining five are subordinate units of agencies that, in addition to supervising credit unions, also supervise other regulated businesses.

In addition to state regulators, NASCUS has an affiliated organization, the NASCUS Credit Union Council. The Credit Union Council is comprised of nearly 600 state chartered credit unions who uniquely interact with the NASCUS regulators.

NASCUS is pleased to provide comments on the Notice of Proposed Rulemaking to establish rules for management of Federal disbursements as printed in the September 16, 1997 Federal Register. We note the four key issues Treasury identified that require resolution: 1) what types of entities should be permitted to maintain accounts into which electronic government payments may be made; 2) who should be permitted to receive payments in such an account as a representative of the beneficial owner of the payment; 3) under what circumstances should EFT requirements be waived; and 4) how does Treasury perform its obligation under the law to assure recipients access to an account at a financial institution at a reasonable cost.

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Our comments focus on three of these four areas: 1) what types of entities should be permitted to maintain accounts into which electronic government payments may be made; 2) who should be permitted to receive payments in such an account as a representative of the beneficial owner of the payment; and (3) how does Treasury perform its obligation under the law to assure recipients access to an account at a financial institution at a reasonable cost.

Succinctly, we urge the rule to be written to be as inclusive as possible, both in terms of the types of entities permitted to maintain accounts into which electronic government payments may be made and in terms of whom should be permitted to receive payments as a representative of the beneficial owner of the payment. We are of the opinion that an inclusive approach benefits all Americans by increasing ease of access to and security for benefit payments and by bringing significant cost benefits to all state and federal governments. We are also of the opinion that this inclusive approach introduces market competition to these accounts and that will help the Treasury meet its “reasonable cost” obligation.

Therefore, NASCUS urges that the definition of the types of entities permitted to maintain accounts should be as broad as possible. In short, we urge Treasury to define “financial institution” broadly and to specifically include state chartered credit unions and credit unions chartered under the laws of Puerto Rico, whether the institutions are federally insured or co-cooperatively insured. For guidance, we refer you to section 266 of Title 12 of the U. S. Code which provides that a depository includes the following: “...credit unions created under the laws of any State and the deposits or accounts of such are insured by a State or agency thereof or corporation chartered pursuant to the laws of any State may be depositories of public money and may be employed as fiscal agents of the United States.” This language can be relied upon to define the types of entities permitted to maintain accounts and to receive benefit payments.

We also urge the Treasury to assure that all recipients of benefits should have the opportunity to receive their benefits at any financial institution of their choice. I am pleased to inform you that one state legislature has already taken action to ensure this becomes a reality. They have accomplished this by providing that state chartered credit unions may include the state’s “cash consumers” in the membership by amending their bylaws to include “any person over the age of 55 who receives a retirement annuity, pension, social security, or similar retirement payment from private or government sources, and lives in, or belongs to a retirement organization located in the county, or in the county contiguous to the county where the credit union’s main office is located.”

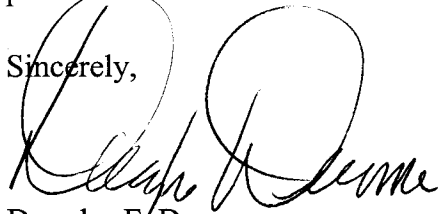
Not only is this an example of a state initiative which has enabled credit unions to create special accounts for “cash consumer” recipients of federal or state payments, but it also helps Treasury perform its obligation under the law to assure recipients access to an account at a financial institution at a reasonable cost.

As you work to implement the rules needed to ensure that all Federal payments are, and can be, made electronically after January 1, 1999 (other than Internal Revenue payments), NASCUS urges you to be mindful of the role that NASCUS can play in helping achieve the goal of distributing entitlements through the broadest possible financial institutions' network: a goal which necessarily means encouraging credit unions to fully participate and to make their financial services even more available to the many millions of Americans who currently do not have a relationship with a financial institution.

Additionally, keep in mind that NASCUS can help by: (1) providing information about state credit union EBT programs; (2) serving as a clearinghouse for information about state laws which enable credit unions to serve non-members; and (3) helping develop programs which may bring the "cash consumers" into fields of membership of credit unions in their communities. The 48 state regulators and the nation's 5,000 state chartered credit unions are resources which Treasury should not overlook in developing the best possible program to fulfill its obligation to provide EFT '99.

We at NASCUS appreciate being invited by Treasury to participate in various past opportunities and to work with other interested parties and Treasury in this Rulemaking process. We look forward to continuing to work with you on this important issue.

Sincerely,

A handwritten signature in dark ink, appearing to read "Douglas F. Duerr", written over a circular stamp or seal.

Douglas F. Duerr
President and CEO